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BCStats

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Tourism Industry Monitor ◆ Annual 2007

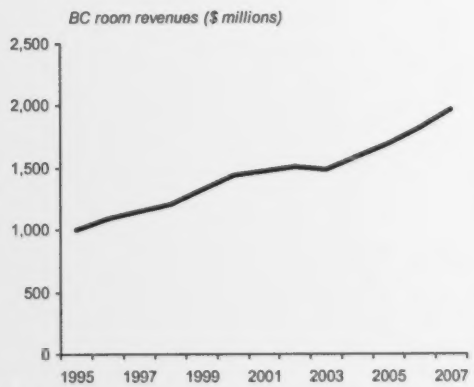
2007 in Review: Steady Growth in BC's Tourism Sector

In 2007, most indicators of the provincial tourism sector continued to show solid growth. Room revenues remained on an upward track and hotel operators saw occupancy rates reach an 11-year high. There were more Canadian travellers returning home through BC, and visitation from overseas countries was up. In addition, more people were employed in tourism-related industries in the province last year. However, total visitor entries fell once again as the number of American travellers continued to decline.

Room revenue growth remains strong in 2007; North Coast led the province

Room revenues at BC's accommodation properties rose 8.4% to approximately $2.0 billion. Following record growth in 1999 (+10.2%) and a substantial increase in 2000 (+8.5%), revenues stalled in the early part of this decade but have picked up speed since 2004.

Room revenues continued on an upward trend in 2007



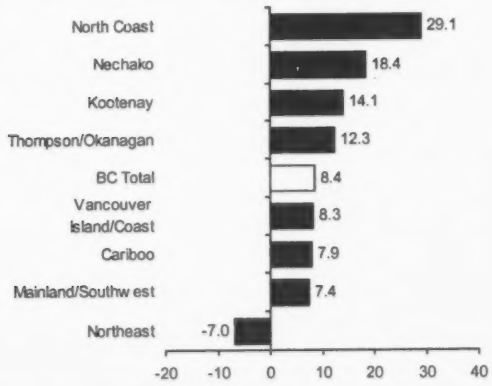
Data Source: BC Stats

The North Coast region led the province in growth during 2007 (+29.1%), driven by higher revenues at fishing lodges, motels and hotels. This marks only the third year since room revenue statistics were developed by BC Stats that North Coast exceeded the provincial average. The neighbouring region of Nechako recorded a substantial increase (+18.4%), building on past gains in 2005 and 2006. Interior regions of the province, including Kootenay (+14.1%) and Thompson/Okanagan (+12.3%), also experienced substantial growth. Vancouver Island/Coast (+8.3%), Cariboo (+7.9%) and Mainland/Southwest (+7.4%) posted more moderate increases. However, Northeast (-7.0%) was the only region to experience lower revenues last year. The decline in this region was mainly due to a significant drop in business at

motels and temporary accommodations for seasonal workers.

Revenues were up in all regions except Northeast

Annual % change in room revenues by region (2007)



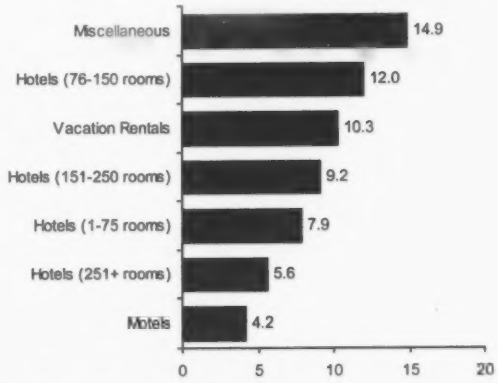
Data Source: BC Stats

All types of establishments were busier last year

Revenues across all accommodation types increased in 2007, with miscellaneous properties (e.g., bed and breakfasts, fishing lodges) leading the pack (+14.9%). Mid-sized hotels (76-150 rooms; +12.0%) continued to outperform small (1-75 rooms; +7.9%), large (151-250 rooms; +9.2%) and very large (251+ rooms; +5.6%) hotels. Vacation rentals (+10.3%) posted the highest growth since 2001, while revenues at motels (+4.2%) increased at a slower pace.

Bed & breakfasts, fishing lodges and other accommodations posted the largest gain

Annual % change in room revenues by accommodation type (2007)



Data Source: BC Stats

Visitor entries down for the third consecutive year

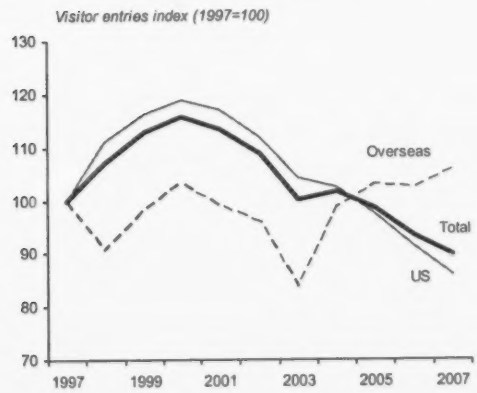
Total visitor entries to Canada via BC fell 3.9% in 2007. Travel from the US slumped (-5.9%) for the seventh straight year, as both same-day (-9.1%) and overnight (-4.1%) visitation was down. However, the US is still the largest international travel market, comprising more than three-quarters (77%) of total entries to the province last year.

The recent downward trend in the number of US travellers to the province is likely due to a number of economic factors, including the depreciation of the US greenback relative to the Canadian dollar, the rising cost of airfare and accommodations, and skyrocketing gasoline prices. In addition, given the weakening of the US economy, consumer spending by Americans is expected to decline as are discretionary expenditures such as travel to BC.

On the other hand, the overseas market has been gaining momentum. In 2007, overseas entries rose (+3.3%) for the third time in four years and accounted for 23% of total entries. More visitors from Europe (+5.3%), including the UK (+6.5%) and Germany

(+2.6%), contributed to the increase. Entries from Oceania (+13.4%) surged, driven by an influx of Australians (+12.8%) visiting the province. However, the number of entries originating from Asia decreased 2.5%, as there were fewer travellers from Taiwan (-15.0%), Japan (-10.9%) and South Korea (-1.6%).

Total and US entries have steadily declined since the turn of the century; overseas entries trending up since 2004



Data Source: Statistics Canada

Although overseas visitors comprise a much smaller share of total entries compared to US travellers, their economic contributions to the provincial tourism sector are significant. According to data from Statistics Canada's *International Travel Survey*, overseas visitors to BC spent approximately $1.7 billion in 2006, almost as much as their American counterparts ($1.8 billion). This is due to the fact that overseas travellers tend to stay in the province for a longer period of time—13.3 nights compared to 3.5 nights for overnight US visitors.

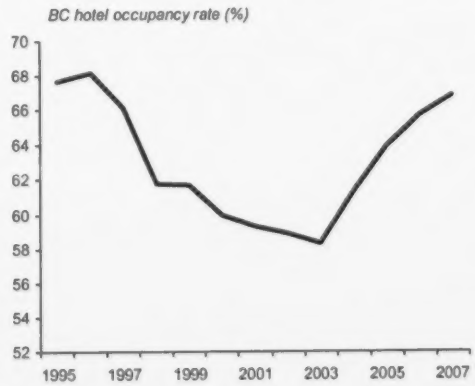
More Canadians returned home through BC from the US and overseas

With respect to domestic travellers, the number of Canadians re-entering the country via BC rose (+6.4%) for the fifth consecutive year. Total trips to the US were up 6.6% and same-day trips also increased (+4.0%). Last year, about 1.2 million Canadians returned home from overseas countries, 4.9% more than in 2006.

Other indicators

Inter- and intra-provincial travellers continued to be an important market for BC's hotel industry in 2007. Despite the decline in overnight US entries, the average hotel occupancy rate (66.9%) reached its highest level since 1996. In addition, the average room rate advanced 5.4%, surpassing growth in the previous nine years.

The provincial hotel occupancy rate has regained lost ground



Data Source: Pannell Kerr Forster

There were more travellers through BC's major airports in 2007. Continuing the trend that began in 2003, passenger traffic at the Victoria airport (+6.6%) increased at a faster pace compared to the Vancouver airport (+3.4%). BC Ferries recorded higher vehicle volume (+0.3%) while passenger volume was flat (0.0%). Following a 1.3% drop in 2006, there were 5.0% more passenger vehicles passing through the toll booths on the Coquihalla Highway last year.

Passenger traffic at the Victoria airport has taken off in recent years

Data Sources: Vancouver & Victoria Airport Authorities

Sales in the province's food services and drinking places industry were up 3.8% last year. Although food service establishments experienced a 2.7% increase in receipts, this was below record growth seen in 2006 (+9.5%). Revenues at drinking places, including bars, nightclubs and taverns, rebounded (+10.6%) following two years of declines.

The number of jobs in tourism-related industries continued to expand in 2007, led by the food & beverage services industry where total employment rose 4.5%. Arts, entertainment & recreation (+3.0%) also posted strong growth, although this was about half the rate recorded in 2006 (+6.3%). The air transportation (+1.9%) and accommodation (+1.6%) industries experienced relatively slower rates of job growth last year.

Other tourism indicators advanced in 2007

	2007	Change from 2006
Hotel Industry		
Occupancy rate (%)	66.9	1.2 pp.
Average room charge ($) *(Pannell Kerr Forster)*	128.50	5.4
Airport Passengers	**(000s)**	**(%)**
Vancouver International Airport		
Total traffic	17,495	3.4
US (trans-border)	4,361	2.6
Other International	4,117	4.0
Canada (domestic) *(YVR)*	9,017	3.5
Victoria International Airport		
Total traffic *(Victoria Airport Authority)*	1,482	6.6
Food Services Receipts	**($ millions)**	**(%)**
All establishments	7,650	3.8
Food service	7,124	2.7
Drinking places *(Statistics Canada)*	482	10.6
Transportation	**(000s)**	**(%)**
Coquihalla Highway		
Passenger Vehicles *(Ministry of Transportation & Infrastructure)*	2,730	5.0
BC Ferries		
Vehicle Volume	8,559	0.3
Passenger Volume *(BC Ferries)*	21,690	0.0
Employment	**(000s)**	**(%)**
Air transportation	16.7	1.9
Accommodation	35.8	1.6
Food & beverage services	141.1	4.5
Arts, entertainment & recreation *(Statistics Canada)*	39.1	3.0

Note: pp. percentage points

Conclusion

Overall, 2007 was another good year for BC's tourism sector. Accommodation room revenues showed solid growth, visitation from overseas countries increased, and hotel occupancy rates and tourism-related employment continued to advance. Although the number of travellers from the province's largest international market—the US—continued on a downward trend, it appears that domestic travellers have been driving the expansion of BC's tourism sector. For example, accommodations had a more lucrative year and hotel occupancy

rates continued to rise in the face of a declining US market. In addition, according to the Canadian Tourism Commission and Statistics Canada[1], domestic demand accounted for most (77%) of the tourism-related spending in Canada. These findings suggest that the domestic market is a significant player in the provincial and national tourism sectors.

[1] *National Tourism Indicators,* fourth quarter 2007.

ndicators

Annual Series, 2002-2007

	2002	2003	2004	2005	2006	2007
Room Revenue ($ thousands)						
	1,506,360	1,485,670	1,590,956	1,688,343	1,815,312	1,967,921

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Gross Domestic Product ($ millions)*						
lars	5,236	5,441	5,828	6,173	6,685	n/a
ollars (1997 dollars)	4,653	4,775	4,998	5,250	5,491	n/a

STATS

or tourism GDP data are based on information published in the spring of 2007.

Revenue & Volume Estimates						
millions)	9,336	8,953	9,473	9,786	n/a	n/a
me (thousands)	22,571	21,870	22,450	22,886	n/a	n/a

rism BC

tries to Canada via British Columbia (thousands of persons)						
al	6,596	6,137	6,039	5,751	5,380	5,062
t	3,788	3,557	3,562	3,436	3,435	3,295
S -- Total	1,375	1,198	1,409	1,474	1,466	1,515
	412	410	458	494	493	519
	76	76	86	85	83	85
ingdom	204	206	222	240	235	250
	764	578	716	724	717	699
ng	89	68	74	73	73	77
	277	185	246	243	218	194
	98	63	96	89	83	71
	118	125	144	157	155	175
	98	105	121	131	130	146
- Total (returning to Canada)	7,197	7,285	7,847	8,356	8,659	9,213
S.A. -- Total	6,270	6,343	6,806	7,225	7,473	7,968
erseas	928	942	1,040	1,131	1,186	1,244

tistics Canada, International Travel (66-001)

ent (thousands, annual average)						
	1,613.3	1,656.5	1,699.5	1,756.1	1,832.3	1,888.9
ism Employment	108.9	110.3	112.2	115.4	120.4	n/a

tistics Canada (Survey of Employment, Payrolls & Hours), BC STATS

tation (thousands)						
Airport -- arrivals & departures	14,877	14,322	15,726	16,419	16,924	17,495
port -- arrivals & departures	1,102	1,183	1,250	1,318	1,390	1,482
-- passengers	21,540	21,348	21,955	21,791	21,689	21,690
Highway -- passenger vehicles	2,530	2,480	2,586	2,635	2,601	2,730

ancouver Airport, Victoria Airport, BC Ferries, Ministry of Transportation & Infrastructure

cupancy & Room Rates (annual average)						
(%)	58.9	58.3	61.3	63.9	65.7	66.9
e ($)	116.99	113.72	115.71	116.30	121.95	128.50

nnell Kerr Forster (Vancouver)

rism Indicators

Annual growth rates, 2002-2007

change from previous year	2002	2003	2004	2005	2006	2007
rism Room Revenue						
Total	2.2	-1.4	7.1	6.1	7.5	8.4

rce: BC STATS

rism Gross Domestic Product						
rent Dollars	0.8	3.9	7.1	5.9	8.3	n/a
stant Dollars (1997 dollars)	-0.7	2.6	4.7	5.0	4.6	n/a

rce: BC STATS

timates for tourism GDP data are based on information published in the spring of 2007.

rism Revenue & Volume Estimates						
enue	1.0	-4.1	5.8	3.3	n/a	n/a
tor Volume	0.8	-3.1	2.7	1.9	n/a	n/a

rce: Tourism BC

itor Entries to Canada via British Columbia						
A -- Total	-4.3	-7.0	-1.6	-4.8	-6.5	-5.9
Overnight	4.2	-6.1	0.1	-3.5	0.0	-4.1
ERSEAS -- Total	-3.0	-12.9	17.6	4.6	-0.5	3.3
JROPE	-11.7	-0.4	11.7	7.8	-0.2	5.3
Germany	-23.3	0.6	13.0	-1.3	-3.3	2.6
Jnited Kingdom	-7.7	0.8	8.1	7.8	-2.0	6.5
SIA	4.4	-24.4	23.9	1.1	-0.9	-2.5
Hong Kong	-0.1	-23.5	9.3	-2.2	0.3	6.4
apan	7.6	-33.2	33.0	-1.0	-10.5	-10.9
aiwan	-8.6	-35.2	52.5	-7.5	-6.5	-15.0
CEANIA	-10.5	5.8	15.6	8.9	-1.5	13.4
Australia	-10.3	7.2	14.6	8.5	-0.9	12.8
NADA -- Total (returning to Canada)	-13.6	1.2	7.7	6.5	3.6	6.4
rom U.S.A. -- Total	-15.6	1.2	7.3	6.1	3.4	6.6
rom Overseas	2.7	1.5	10.4	8.7	4.9	4.9

rce: Statistics Canada, International Travel (66-001)

ployment						
Total	0.4	2.7	2.6	3.3	4.3	3.1
ct Tourism Employment	0.6	1.3	1.7	2.9	4.3	n/a

rce: Statistics Canada (Survey of Employment, Payrolls & Hours), BC STATS

nsportation						
ncouver Airport -- arrivals & departures	-3.9	-3.7	9.8	4.4	3.1	3.4
toria Airport -- arrivals & departures	-4.8	7.4	5.6	5.5	5.5	6.6
Ferries -- passengers	1.1	-0.9	2.8	-0.7	-0.5	0.0
quihalla Highway -- passenger vehicles	2.8	-2.0	4.3	1.9	-1.3	5.0

rces: Vancouver Airport, Victoria Airport, BC Ferries, Ministry of Transportation & Infrastructure

tel Occupancy & Room Rates						
cupancy (percentage point change)	-0.4	-0.6	3.0	2.7	1.7	1.2
om Rate (% change)	0.8	-2.8	1.8	0.5	4.9	5.4

rce: Pannell Kerr Forster (Vancouver)